A Research on Institutional Investors and Start-up Enterprises from the Perspective of Identity Identification

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Abstract: In the Internet economy environment, the start-ups have the characteristics of explosive growth and cliff-like failure. Behind this phenomenon, we can find that the capital forces companies to take short-term behaviour. This study proposes to establish a long-term and meaningful cooperative relationship with institutional investors through identification. Specifically, through literature review, we distinguishes the dimensions of the investor-enterprise identification at the individual and organizational levels, and discusses that psychological and symbolic antecedents' instrumental antecedents are the driving factors of individual level identification, while social influence is the driving factors of organization level identification. At last, the result of the investor enterprise identification is explained, and a complete theoretical model is constructed.

1. Introduction

Start-up companies under the Internet + condition often achieve rapid growth through high leverage in the early stages, which force them to take huge operational risks. Although it has expanded rapidly within a short period of time, operating vulnerabilities are also more easily exposed, which exposes enterprises to huge risks. It is not difficult to see the capital behind these phenomena. The single goal of pursuing capital for profit makes entrepreneurial companies blindly pursues the growth rate and ignore the long-term development of the enterprise; on the other hand, professional short-selling institutions also play a role in purifying the market in the large financial circle, making the space for companies to make quick profits through short-term behaviour is getting harder and harder, which further exacerbates the operating risk faced by start-ups. So, how to deal with the relationship between investors and start-ups, balance capital appreciation and long-term development of enterprises, is a common problem faced by the theoretical communities.

Scholars' research based on Social Identity Theory and Identity Theory has proved that identification in the business ecosystem is closely related to cooperation and trust. Maintaining a deep, committed, and meaningful relationship with stakeholders is more conducive to their investment in the value creation of the company's operating activities [1]. However, investors who are undoubtedly important stakeholders for start-ups have received little attention from scholars in the study of identity. Therefore, this paper draws on the research of Social Identity Theory and Identity Theory, and proposes a new perspective of investor-enterprise identification. Start-ups can establish long-term, win-win cooperative relationships with institutional investors by identifying, constructing, and disseminating investor identity characteristics.

Firstly, investors are important stakeholders of the enterprise. The definition of relationship marketing point out that investors are important resource exchange partners. Companies need to establish and maintain long-term, harmonious, and win-win relationships with investors. Secondly, it is necessary to establish a corporate identity for investor identification. Navis [2] pointed out that the challenge for investors is to find good investment targets under conditions of high uncertainty and ambiguity. Therefore, entrepreneurs need to work hard to build a "what we are going to do" or "who we are" proposition and future existence status in order to gain investors' identification. Finally, the investors faced in the early stage of entrepreneurship are usually professional venture capital institutions, which is different from the previous identity research subjects. Previous researches on identity include both research on organizational identity from an individual perspective and inter-organizational identity research, but lack of cross-level research.

Based on the above analysis, we starts from the connotation of investor-enterprise identification, and explores the dimensions of investor identification to enterprises at different levels. At the same time, it summarizes the antecedents and consequences, with a view to establishing a more complete and investment theoretical models related to consumer-enterprise identification (Figure 1).

2. Connotation and Structure of Investor-Enterprise Identification

Research on the antecedents and results of organizational identification has been very rich in academia, but the concept of organizational identification is related to the research of the researchers themselves, and there is no uniform definition. Therefore, this article first needs to define investor-enterprise identification, describe its connotation and dimensions.

2.1 Connotation of Investor-Enterprise Identification

Although scholars' definition of organizational identification is based on their own research, the core content is the same that individual employees who define themselves with perceived corporate identity. These processes and results have produced perceptions that are consistent with or attributable to the organization. Organizational identification is essentially a relationship between employee self-definition and organization identity. This relationship is based on employees as the core to achieve self-definition from the organization identification.

On the basis of organizational identification, Bhattacharya [3] first introduced the concept of "consumer-company identification", which was defined as a consumer's active, selective, and voluntary activity. Driven by the satisfaction of one or more self-defining needs and stating that it cannot be imposed on consumers by the company, but must be generated by satisfying consumer self-defining needs. Different from organizational identification, CCI come from the perspective of external stakeholders. Corsten D. [4] proposed "supplier-company identification" in his research. He believed that the cooperative supplier-buyer relationship is the source of the competitive advantage of manufacturing companies. He defined the "supplier-company identification", which is the identity perceived by the supplier organization and the buyer organization, and regard the success and failure of the buyer organization as the supplier's own experience. The study extends identification from individual to organizational identification to inter-organizational identification.

Based on the above research, we find that companies can rebuild investor-enterprise relationships by building an identity that investor identificate. The definition of investor-enterprise identification follows the definition of the original concept of social identity because it has been empirically tested in subsequent studies. Investor-enterprises identification means that when investors realize that there is an overlap between their self-identity and the identity of the investee, they will develop a sense of identification and establish a long-term win-win relationship with the invested company. However, the scope and utility of the overlap between the identification of the investor and the invested company may be different, so different investors may see similar or different dimensions, and may have characteristics that they like or dislike.

2.2 Dimensions of Investor-Enterprise Identification

In the study of the dimension of organizational identification, except for some scholars who consider it to be one-dimensional [5], most scholars consider organizational identification to be a multidimensional proposition [6][12]. Although different studies have different expressions of the dimensions of organizational identity, they can basically be classified into the three dimensions of cognition, emotion, and evaluation. Some scholars have also added behavioural dimensions.

Cognitive dimensions. Tajfel [7] mentioned that the cognitive is a self-classification belonging to an organization and a way to achieve social identity. Ellemers [8] proposed that the cognitive dimension of identification is the process by which members of an organization realize self-classification by identifying similarities with others in the same organization and differences among others. The cognitive component of organizational identification includes not only the process of self-categorization, but also an analysis of the meaning of belonging to the organization.

Emotional dimension. Tajfel [7] mentioned that social identity originates from the individual's perception that he is a member of a social group, and is accompanied by value judgments and emotional attachments about member relationships. Based on this definition, Ellemers [8] proposed that emotional dimension refers to a sense of emotional involvement in the group, called emotional commitment. Emotional meaning refers to the component of emotional identification, which is the individual's positive attitude and evaluation of the group, including the strong feelings of the group, group cohesion and collective self-esteem.

Evaluation dimension. Based on the definition of social identity of Tajfel [7], Ellemers [8] defines the evaluation dimension of organizational identification "positive or negative evaluation of groups or membership". The evaluation dimension has also been proven in empirical studies [9], and distinguished from the emotional dimension.

Behavioural dimension / common destiny. Tajfel [7] did not explicitly put forward the dimension of common destiny in the definition of social identification, but he also pointed out the importance of common destiny. Phinney [10] proposed a common destiny dimension, including the feeling of attachment, caring about the inner group, thinking that the group within the group is important, and the "combined feeling" between the individual and the organization. Group identification increases the interdependence among individuals within the organization and the perception of common destiny. Van Dick [9] believes that "common destiny" can also be expressed as the "behavioural dimension" of identification.

Organizational identification is generally considered to be a multi-dimensional proposition. While, we believe the dimensions of Investor-corporate identification are more abundant. The investors of new ventures are often institutional investors who have complete organizational structure. Before that, the relationship between them was expressed by the individual's identification through inter-organizational cross-border agency processes, activities, and events. For the invested enterprise, it should first obtain the approval of individuals such as fund managers, and then achieve cooperation between organizations. These fund managers act as boundary dividers, and they are more closely involved in inter-organizational relationships than others.

2.2.1 Dimensions of Investor-Enterprise Identification at the Individual-Level

At the individual level, the cognitive is the basic dimension of identification. Institutional investors identify the identity characteristics of invested companies through research activities. In this process, fund managers compare their identified identity characteristics with their self-defined needs. When these identity characteristics can meet the self-defined needs of investors, they will identified the investee.

The emotional dimension is the individual's perception of their membership in a social group and the value judgments and emotional attachments that accompany this member relationship, while the evaluation dimension is a positive or negative evaluation of the group or membership. For fund managers, they are often more closely involved in inter-organizational relationships than others. At this time, they will inevitably join the group members of the invested company. Relationships, on the other hand, are more inclined to associate themselves with praise or criticism directed directly at their investees. The emotional dimension and the evaluation dimension are often difficult to distinguish at the individual level. Therefore, this article considers that investor-enterprise identification at the personal level has both an evaluation dimension and an emotional dimension.

From the perspective of the behavioural dimension, only the "common destiny" of the behavioural dimension has been verified from the study of organizational identity. For fund managers, the success or failure of the invested company is more related to their careers than the relationship between the invested company and the investment institution. Because investment institutions can diversify investment risks through more projects, for individual fund managers, the degree of risk diversification is much lower than that of investment institutions. Therefore, the feeling of the "common destiny" of the invested company will be more profound than that between organizations. So this article believes that the behaviour dimension also exists for individual investor-enterprise identification. Therefore, we propose the following propositions.

Proposition 1a: The individual investor's identification of the invested company is related to the dimensions of cognition, evaluation, emotion, and behaviour.

2.2.2 Dimensions of Investor-Enterprise Identification at the Organizational Level

When discussing the dimension of investor-enterprise identification at the organizational level, it should first be clear that the investors at the organizational level refer to those institutions that specialize in investment activities and are entities with a complete organizational structure. Second, the process of forming inter-organizational identity should be clarified. Ahearne [5] argued that inter-organizational identification develops through the processes, activities, and events of the cross-border agency of both organizations. The values and beliefs of the organization are stable and enduring. Although individual boundary managers may come and go, as new boundary managers move into inter-organizational relationships, they become familiar with each other's values and beliefs, which nurtured their predecessors' views of identity, and then they internalize these perceptions. Therefore, it is through these processes of depersonalization and institutionalization that individual-level and inter-organizational identification are interrelated. In other words, the investor-enterprise identification at the organizational level is extracted from the identification at the individual level and more stable and abstract than the identification at the individual level.

Therefore, there are similarities and differences between the investor-enterprise identification dimension at the organizational level and individual level. First, the cognitive dimension is the basis for forming identification at two levels. The investment institution recognizes the identity of the invested company by authorizing the fund manager to form the recognition of the invested company, and finds the identity to form the basis of identification by comparing with the identity characteristics of the investment institution itself. Second, investor-enterprise identification at the organizational level does not include an emotional dimension. In the individual's identification with the organization, the emotional dimension emphasizes a more subjective emotional attachment, so the individual is an emotional carrier. Although organizational can be a humanoid image, it cannot be used as emotional carriers and have an emotional attachment. Third, the investor-enterprise identification at the organizational level includes an evaluation dimension. Although there are some overlaps between the evaluation and the emotional dimension, the emphasis is different. The emotion dimension mainly emphasizes the individual's emotional dependence on the organization, which is subjective feelings; the evaluation dimension mainly emphasizes the external evaluation of the group or membership, which is an objective fact. In fact, the external evaluation of the invested company often directly affects their investment results and even the development of the investment institution itself. So, the investment institution will associate the external evaluation of the invested company with its own value evaluation. Finally, the behaviour dimension/common destiny is one of the dimensions of investor-enterprise identification at the organizational level. This is determined by the goals of the institutional investor's activities. Institutional investors invest in investee companies through equity investment, and then gain income through the equity appreciation and capital exit of investee companies. Therefore, the operating results of the invested company are directly related to the investor's income, and the two form a direct "community of destiny" through investment. Then, we propose the following propositions:

Proposition 1b: Investor-enterprise inter-organizational identity is related to the dimensions of cognition, evaluation, and behaviour.

In this part, we conceptualizes investor-enterprise identification, proposes two levels of identification and explains the dimensions for these two levels. Then, we further broadened the conceptual perspective to clarify the unique position of investor-enterprise identification in its related relationship marketing network.

3. Antecedent Variables of Investor-Enterprise Identification

The antecedents of identification can be grouped into three categories: instrumental drive, psychological and symbolic, social influence. Investor-enterprise identification is divided into individual and organizational levels, then we will analyse the antecedents at different levels.

3.1 Antecedent Variables at the Individual Level

Research on the antecedent variables of the cognitive dimension at the individual level, Wolter[11] believe that reducing uncertainty in social contexts is the primary self-motivation of cognition. Self-uncertainty is rooted in the theory of self-categorization, which focuses on the cognitive processes implicit in group preferences. Through a series of experiments, researchers have shown that identification is "caused by the need to reduce subjective uncertainty".

The consistency of goals contained in psychological and symbolic drivers can reduce investors' self-uncertainty, thereby achieving recognition of the cognitive dimensions of the invested company. Venture capital often means a high degree of uncertainty about the future. Investors still need to make subjective judgments in addition to basic technical analysis when choosing a project.When investors and investees have the same goals, driven by reducing self-uncertainty, it is easier to achieve self-distinguish, thereby strengthening predetermined beliefs and attitudes. Therefore, this paper proposes the following propositions:

Proposition 2a: When the investor and the investee have the same goals, they can reduce the investor's self-uncertainty, and thus realize the identification, which is related to the cognitive dimension of identification.

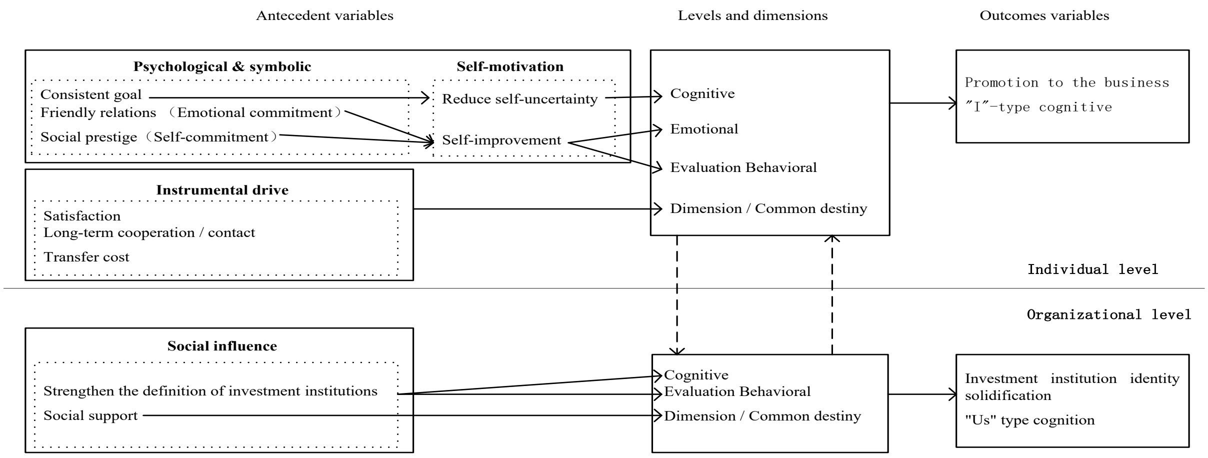

Figure 1. Investor-enterprise identification theory model

In symbolic and psychological antecedents, another self-motivation that forms identification is the need for self-improvement. Self-improvement is "an individual's motivation to increase enthusiasm and reduce negatives". The motivation for self-improvement is related to the emotional and evaluation dimensions of identification, which is directly reflected in the individual's feelings about the enterprise [11]. Enterprises create positive emotions to increase the positive self-improvement motivation of stakeholders. This motivation is often caused by emotional commitment. Emotional commitment refers to the feeling of attachment and belonging, and the joy they get from the organization. In Lam [12], he pointed out that the need for a friendly relationship is one of the symbolic and psychological antecedents of emotional commitment. In the investment process, investors need closely communicate and cooperate with start-up companies. Therefore, when a start-up establishes a good relationship with an investor, it is conducive to realizing the investor's current emotional commitment, increasing the motivation for self-improvement, and thus achieving identification. Therefore, we proposes the following propositions:

Proposition 2b: When the investor and the invested company have a friendly relationship, the investor can realize the emotional commitment and enhance the motivation for self-improvement to achieve the identification, which is related to the emotional dimension of identification.

Self-improvement is also related to the evaluation dimension. In this situation, the motivation for self-improvement is related to the individual's desire to enhance status and ideas, community access and preferences. When the investee company has a high status reputation, investors can also "share" the company's reputation through the form of investment and meet the needs of investors to improve themselves. Therefore, we proposes the following propositions:

Proposition 2c: When the invested company has strong social prestige and assumes important social responsibilities, investors can enhance their motivation for self-improvement by achieving self-commitment, thereby achieving identification with the target company, and it is related to the evaluation dimension of identification.

The antecedents at individual level also include instrumental drivers. The characteristics of instrumental drivers are measurable and needn't be achieved through self-motivation. Instrumental driver antecedents include satisfaction, long-term collaboration/contact and transfer costs. Satisfaction is represented by the satisfaction of the cooperation, the satisfaction of the return on investment and so on. A higher degree of satisfaction will lead investors to adopt the behaviour of long-term support for the invested enterprise. Long-term cooperation/contact is also an important antecedent variable. Because investors have a deeper understanding of familiar projects or entrepreneurial teams, this will help reduce uncertainty and reduce investment risks. Finally, the transfer of investment projects means that when the transfer costs are greater than the new project benefits, investors will choose to stay in the original project.

The behavioural dimension/common destiny of identification can be measured with the item "I support the business I invest in". Antecedent variables such as "high satisfaction", "long-term cooperation/contact", and "high transfer costs" will prompt investors to adopt supportive actions for the enterprise. Therefore, instrumental driving is related to the behaviour dimension of investor-enterprise identification. In summary, we proposes the following proposition：

Proposition 3: When investors have higher employee satisfaction with the investee company, have long-term cooperation/contact, or have higher project transfer costs, it is easier for investors to achieve identification, and it is related to the behavioural dimension/common destiny.

3.2 Antecedent Variables at the Organizational Level

Social influence is an important factor influencing group-level identification [12]. The social impacts of investor-enterprise identification include identity threats and social support.

Identity threat. If the identity of the invested enterprise is very different from that of the investment institution, the cooperation will weaken the identity of the investment institution, which will result in the identity of the investment institution being threatened. Thus, when the identity of the invested company can strengthen the corporate identity of the investment institution, it is easier for investors to realize the identification, and it is related to the cognitive and evaluation dimensions. Therefore, we proposes the following proposition：

Proposition 4a: When cooperating with an investee enterprise can strengthen the identity of an investment institution, it is easier to obtain investor identification, and it is related to the recognition and evaluation dimensions of identification.

Social support. When the investee company belongs to the state-supported industry or has certain social support, the company faces relatively little resistance in the development process. For example, the investee company is an environmentally friendly company or a high-tech company. Enterprises can enjoy national tax benefits. It makes easier for investors to obtain a given investment income. At the same time, gaining social support affects the perception of investors and investees about their common destiny. Social support has a positive effect on investor-enterprise identification and is related to the behaviour dimension / common destiny of identification. Therefore, we proposes the following propositions：

Proposition 4b: When the invested company receives social support, it is easier to obtain investor identification, and it is related to the behaviour dimension / common destiny of identification.

4. Outcome Variables of Investor-Enterprise Identification

According to identity-driven marketing relationship research, the impact of role identification on personal outcomes is primarily based on Identity Theory, emphasizing the impact on individuals. In contrast, research on Social Identity Theory emphasizes behaviours and attitudes between groups. So the outcome variables of Investor-enterprise identification should be discussed from two aspects.

4.1 Outcome Variables at the Individual Level

By reviewing the literature, scholars believe that individual-level identification is related to both job performance within roles and extra-role behaviours outside of prescribed responsibilities. The extra-role behaviours of stakeholders can bring additional benefits to the enterprise.

Corporate promotion is an important out-of-role behaviour brought by investor-identity at the individual level. Investors are more willing to promote the invested company in their private name after identifying the invested company. For example, researchers observing investment managers found that they would be happy to forward information about invested companies in their private WeChat circle of friends.

Another important outcome variable is the generation of "I"-type intentions. Bagozzi [13] pointed out that identification at the individual level generates “I” -type intentions. For investors, the generation of "I"-type intentions means that they will lead to the idea that "cooperating with the invested company will be beneficial to me", and thus more willing to promote cooperation. Therefore, we propose the following propositions：

Proposition 5a: Investor-enterprise identification at the individual level can make investors more willing to promote the enterprise and generate "I" -type intentions.

4.2 Outcome Variables at the Organizational Level

In the research of identity-driven marketing relationship, there is less research on the identification results at the organizational level, but there are still some scholars who have discussed. According to the research by Bagozzi [13], corresponding to the "I"-type intentions, they believe that the identification results produced at the organizational level will lead to the "We"-type intentions. For investors at the organizational level, the generation of "we"-type intentions will make investors not only consider their own interests, but also consider the common interests from the perspective of "us", thereby avoiding the start-up enterprises' short-term behaviour. Another consequence of organizational-level identification is that the identity of the organization is further solidified. Based on self-defined needs, investment institutions can further solidify their corporate identity by identifying themselves with the investee. Then, we proposes the following propositions:

Proposition 5b: Organization-level investor-enterprise identification allows investors to generate "we"-type intentions and further solidify corporate identity.

In summary, investor-enterprise identification at the individual level has led to investor support behaviours and "I" -type cognition, while at the organizational level has led to the consolidation of the identity of investment institutions and the "we" -type cognition.

5. Conclusion and Future Study

This article discusses that under the Internet + entrepreneurial environment, entrepreneurial companies can solve the dilemma they face by building a corporate identity that investors identify—the rapid increase in capital and the long-term goals of the company cannot be balanced.

We explore the connotation and dimensions of investor-enterprise identification. It distinguishes between investor-enterprise identification at the individual and organizational levels, and different types of identification at the individual and organizational levels. This concept was then extended. The antecedent and outcome variables of investor-enterprise identification were discussed, and a theoretical model related to investor-enterprise identification was established.

Based on the above work, this article has made some contributions. We respond to the contradiction between capital appreciation and long-term behaviour of entrepreneurs in the Internet + environment by building a corporate identity that investors recognize. Unlike previous studies, this study focuses on investors' views on the identification of the investee company, the evaluation and judgment process, and provides another perspective for studying the relationship between start-ups and investors. Secondly, this article takes organizational identity as a carrier to realize investor identification has certain enlightening significance.

Nevertheless, our study has some limitations. First, this article only proposes a theoretical model and does not conduct empirical tests. Therefore, in future research, the above model can be verified by empirical means. Second, this paper distinguishes the levels and dimensions of investor-enterprise identification. In the discussion of antecedents, it also discusses how different antecedents cause different dimensions of different levels of identification. In the result variable, only the results from different levels of identification are discussed, and the results from different dimensions are not further distinguished. Therefore, in future research, the results caused by the dimension of investor-enterprise identification can be discussed in more detail.

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